

# Kentucky Agricultural Development Board

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## *Minutes of the January Board Meeting*

The regular meeting of the Kentucky Agricultural Development Board was held on **January 16, 2004** at **1:00 p.m.**, at the Franklin County Cooperative Extension Office. Commissioner Richie Farmer, presiding, called the meeting to order, and the Secretary called the roll.

### **Members Present**

Vickie Yates Brown, Larry Clay, Commissioner Richie Farmer, Susan Harkins, Wayne Hunt, Sam Lawson, Sam Moore, Eddie Sellers, Mike Slaughter, Dean Scott Smith, Sidney Stewart, and Smith Mitchell designee for Secretary Gene Strong

### **Members Absent**

Governor Ernie Fletcher, Willa H. Poynter

### **Others Present**

**Staff** - David Bratcher, Laurie Dudgeon, Sandy Gardner, Bill Hearn, Kara Keeton, Marjorie May, Bill McCloskey, Joel Neaveill, Brad Nelson, Keith Rogers, Stephen Yates **Guests** – Joe Cecil, West Kentucky Growers Cooperative (WKGC); Alan Taylor, WKGC; Patrick Jennings, KY Department of Agriculture (KDA); Mike Ovesen, KY Pork Producers Association; DeVon Hankins, KDA; Clint Hardy, Daviess County Extension; Tim Crocker, Pig Improvement Company (PIC); Janet Crocker, PIC; Charles Dowson, Jr.; Herschel Horn, USDA Natural Resources Conservation Service (NRCS) Daviess County; Tom Dugan, Bluestone Geologic Consultants; Steve Coleman, KY Division of Conservation; Ruthi Steff-Pike, USDA-NRCS; Barry Wright, Logan County Dark Tobacco; Larry Jeffries; G. Emerson Jones; Waylon Ramming, WKGC; Lisa Thomas; Keenan Bishop, Franklin County Cooperative Extension

### **Notification of Media**

Commissioner Farmer received verification from Keith L. Rogers, Chief Executive Officer, that the media had received notice regarding the Agricultural Development Board meeting.

### **Welcome**

Commissioner Farmer welcomed everyone to his first Agricultural Development Board Meeting.

### **Approval of Minutes**

The minutes of the December 19, 2003 meeting were approved as presented.

## Executive Director's Report

Keith Rogers welcomed everyone. Mr. Rogers announced that Willa Poynter was not present due to a family emergency. Please keep her and her family in your prayers.

Mr. Rogers addressed the issue of the Governor's Budget Reduction Order. The Governor needed to capture \$300 million dollars for the current fiscal budget. After working with agriculture leaders, a proposed amount of \$17 million, down from an original proposed \$20 million, from the KY Agricultural Finance Corporation (KAFC) is part of the Governor's Budget Reduction Order with a promise to replace that money with a bonding issues. The payments on the bonding issue are to come from the General Fund, not the Agricultural Development Fund. The details about when the replacement will occur are still being worked out. This bond will be part of a larger state bonding issue; therefore, KAFC will not be issuing the bonds. "At the end of the day," the Agricultural Development Fund will be whole. Mr. Rogers noted that Governor Fletcher is still pledged to keeping 50% of the Tobacco Settlement Funds in agriculture.

Mr. Rogers updated the Board on the January meeting of the Tobacco Settlement Agreement Fund Oversight Committee. A large part of the discussion was on the Budget Reduction Order; he noted that the Committee was very understanding of the proposed reduction. Mr. Rogers noted that there were several inquiries about specific projects presented, with the most being on Gone Fishin'. However there was nothing negative. Mr. Rogers pointed out that outside of the Committee meeting several legislators have expressed concern on funding for the wineries.

Mr. Rogers announced that KAFC's next meeting is next Friday (1/23) at 9:30 a.m. (KDA Conference Room, Capitol Annex, Frankfort). Mr. Rogers noted that KAFC still has \$3 million, which has been transferred to its account, to continue operating.

Mr. Rogers noted that 2003 HB 541, related to KAFC, did not go through during last session, but discussions are under way for this session on modifications to that proposed legislation.

Mr. Rogers began discussion of the *Model Program Reduced Match Proposal*. Mr. Rogers noted that several legislators have expressed interest in the Board considering a reduced match. Mr. Rogers yielded the floor to David Bratcher.

Mr. Bratcher reviewed discussion from the November meeting when this was originally presented.

Mr. Bratcher noted that the proposal in front of the Board utilizes the HUD Section 8 Housing numbers. Mr. Bratcher reviewed additional details of the proposal.

Mr. Bratcher noted the one change from November's presentation was the verification of income. The new suggestion is that the County Council retains a third party of their choosing to certify individuals. This expense would be an eligible administrative expense for a County's administrative funds. The third party would fill out a certificate to verify the level of decreased match the individual is eligible to receive and would then deliver it to the Extension Office. With this method, only the third party would see any specific income information.

Mr. Rogers noted that at a meeting with the Governor this morning a suggestion was made to provide 0% interest loans, rather than reduce match. The main drawback to this option is the workload on the counties to administer the loans. David's suggested formula for eligibility would be used, but the applicant would receive a full financing with 50% of it being a loan.

Dean Smith clarified that the administrator of the program would be acting as a banker/loan officer. As the loans are paid back, the money would come back to the county either at the state level or back to the program.

Ms. Brown pointed out that this option could bring about significant legal ramifications, if these administrators could be considered "banking institutions."

Ms. Brown pointed out the possibility of skewed numbers for those counties adjacent to a large Metropolitan Areas.

Given the discussion, Sam Lawson commented it is not [the Board's] charge to cure poverty. Mr. Lawson also pointed out that if a producer needs 100% of the money to diversify, then possibly they are too far gone to be helped. Mr. Lawson indicated he has reservations with this program.

Mr. Bratcher noted that if we do not modify the guidelines there is a possibility that legislation may be developed to mandate something like this. Mr. Bratcher reiterated that this is a county choice.

Sidney Stewart asked if any of the County Councils have weighed in on the reduced match issue. Mr. Bratcher noted that no recent conversations have occurred. Mr. Stewart noted that we might want to consult with the County Councils to see where they stand.

Mr. Rogers noted that this seems to be a regional issue, given the legislators who have expressed concern.

Ms. Brown noted her concerns about the amount of additional responsibility that would be placed on the Councils. Ms. Brown asked if this is something that would be more appropriate in the Kentucky Agricultural Finance Corporation (KAFC).

Wayne Hunt asked if KAFC could set up a model program to buy down interest on loans.

Sam Moore shared his concerns with basing this on income. Mr. Moore suggested giving the Councils the option to lower the match program by program.

Dean Smith asked if a limit would be placed on this. Mr. Moore indicated that there does need to be a limit. He reiterated Mr. Lawson's comment about those needing a full grant might be beyond help.

Smith Mitchell noted that we might want to come up with something that [the Board] can live with rather than risking a mandate. Mr. Rogers noted that there is concern of HB 611 being opened during session.

Mr. Bratcher clarified Mr. Moore's intent that the Council could set the match by program or across the board. Mr. Moore indicated that either option was fine. Mr. Case clarified that 25% is the lowest limit.

Dean Smith noted that suggestions beyond Sam [Moore's] might have costs that exceed their benefits.

Dean Smith moved that we provide the option for County Councils to provide as low as a 25% match for local model programs; Mike Slaughter seconded the motion. Mr. Rogers clarified that this would be available to all counties with no restrictions.

Ms. Brown clarified that this was only for county model programs, not state projects and county non-model projects.

Mr. Bratcher noted that the Northeast has expressed concern for reducing the match in certain areas for state level projects.

Mr. Lawson asked when this would take affect; Mr. Case asked about projects in the works.

Mr. Rogers pointed out that such language may need to be incorporated into the model program guidelines, for which suggested revisions have been made and will be presented to the Board later in this meeting.

Dean Smith moved to amend his motion to include this in the model program guidelines and will become effective with approval of the revised guidelines; Mr. Slaughter seconded the motion. The amendment passed with dissent. [1 Nay – S. Lawson]

The motion as amended passed with dissent. [1 Nay – S. Lawson]

Mr. Rogers presented the suggested revisions to the Model Program Guidelines. Mr. Rogers complimented the staff on their diligence in developing these. Mr. Rogers recommended that the members take this home and share with Councils if they wish and discuss them in February. In February, the programs will be divided between the Committees, depending on each Committee's project for review. This will be an opportunity to go through each page by page. Each Committee will present the programs it discusses at the full Board meeting.

[No tape before this point.]

Mr. Sellers asked if there was an attempt to even the playing field across model programs.

Mr. Rogers pointed out that there is a list of requests, included in the packet, that the staff does not recommend be incorporated.

Mr. Rogers noted that Governor Fletcher sends his best and could not be present due to other commitments.

Mr. Rogers yielded the floor to Patrick Jennings, Deputy Commissioner/Chief of Staff, to cover the reorganization of the Department of Agriculture (KDA). Mr. Jennings introduced himself and distributed copies of the previous and new organizational structures for KDA. *[A copy of these documents is on file with the Board Secretary.]*

Mr. Jennings noted that there were previously 31 appointed positions, now there are 24. Mr. Jennings reviewed the Executive Directors of each Office.

Mr. Jennings reviewed position moves and new positions.

Mr. Moore asked if the State Veterinarian has been chosen. Mr. Jennings indicated that a search committee was in the process of selecting one, but no one has been chosen to-date.

Ms. Harkins asked who is heading up the Division of Public Relations. Mr. Jennings indicated that the position is open. Commissioner Farmer noted that the person who had been appointed to this position had accepted an offer from President Bush's campaign.

Commissioner Farmer commented that he is proud of the quality of staff he has been able to acquire. He also noted that he is proud of the work they have done.

### **Referral of August Projects<sup>1</sup>**

Mr. Rogers presented projects A2003-0663 through A2004-0004 for referral to the Board's Project Review Committees.

### **Approval of Model Programs<sup>2</sup>**

Mr. Rogers submitted projects A2003-0641, A2003-0650, A2003-0667, and A2003-0676 as projects meeting the model **Agricultural Diversification Program** guidelines.

Mr. Rogers submitted projects A2003-0644, A2003-0649, A2003-0651, and A2003-0666 as projects meeting the model **Fencing Improvement Program** guidelines.

Mr. Rogers submitted projects A2003-0632 and A2003-0664 as projects meeting the model **Forage Improvement & Utilization Program** guidelines.

Mr. Rogers submitted projects A2003-0630, A2003-0665, A2003-0669, and A2003-0674 as projects meeting the model **Genetics Improvement Program** guidelines.

Mr. Rogers submitted projects A2003-0646 and A2003-0655 as projects meeting the model **Goat Diversification Program** guidelines.

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<sup>1</sup> A detailed list of the referred projects is attached as Appendix A.

<sup>2</sup> A detailed list of projects funded under each model program category is attached as Appendix B.

Mr. Rogers submitted projects A2003-0631, A2003-0660, A2003-0661, A2003-0663, and A2003-0677 as projects meeting the model **Cattle Handling Facilities Program** guidelines.

Mr. Clay pointed out that A2003-0645 did not appear on any list, but was referred at last month's meeting. He noted that it appeared to fit as a model Handling Facilities program and wondered what was holding the application up. Mr. Rogers noted that the Project Analyst for the area was not present, but he would follow-up to find out the status of the application.

Mr. Rogers submitted projects A2003-0628, A2003-0633, A2003-0637, A2003-0647, A2003-0662, A2003-0668, and A2003-0675 as projects meeting the model **Hay, Straw & Commodity Storage Program** guidelines.

Mr. Rogers submitted project A2003-0648 as a project meeting the model **On-farm Water Enhancement Program** guidelines.

Mr. Case moved the said applications be approved for the named model programs; Mr. Stewart seconded the motion. The motion passed without dissent.

## Review of Amendments

Mr. Rogers presented the following amendments for approval.

**A2001-0349, Rowan County Fiscal Court**<sup>3</sup>, was approved for \$75,000 on August 17, 2001. The recipient requests a decrease in project funds of \$37,500 for the Genetics Program for **Elliott** County. These funds are to be reallocated to Elliott County's Agricultural Diversification Program [A2003-0498]. Approval of this request brings the project funds to \$37,500.

**A2001-0856, Rowan County Fiscal Court**, was approved for \$30,000 on January 18, 2002. The recipient requests a decrease in project funds of \$10,000 for the **Elliott** County Goat Diversification Program. These funds are to be reallocated to the Genetics Improvement Program [A2003-0521]. Approval of this request brings the project funds to \$20,000.

**A2003-0521, Rowan County Fiscal Court**, was approved for \$27,999 on November 21, 2003. The recipient requests an increase in project funds of \$10,000 for the **Elliott** County Cattle Genetics Program. These funds shall be reallocated from the Elliott County Goat Diversification Program [A2001-0856]. Approval of this request brings the project funds to \$37,999.

**P2002-0011, Christian County Grain, Inc.**, was approved for \$345,000 in October 2001. The recipient requests amending the originally approved project. Rather than attaching the new grain bin to a building, it will be built next to the other grain bins. This will lower the total project costs from \$690,000 to \$654,837. Therefore, the ADF total commitment decreases to \$327,419 (\$292, 419 in state [A2001-0562,

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<sup>3</sup> With regards to A2001-0349, A2001-0856, and A2003-0521, the Rowan County Fiscal Court administers these model programs for Elliott County.

decrease of \$17,581] and \$35,000 in County [no change]). Approval of this request brings the project funds to \$327,419.

**A2003-0119, Clinton County Agricultural Advancement Council, Inc.**, was approved for \$10,000 on April 18, 2003. The recipient requests a decrease in the project funds of \$6,817.65 for the Genetics Improvement Program. The funds shall be redeposited into the Clinton County account. Approval of this request brings the total project funds to \$3,182.35.

**A2002-0294, Clinton County Agricultural Advancement Council, Inc.**, was approved for \$46,000 on April 19, 2002. The recipient requests a decrease of \$7,030.28 for the Handling Facilities Program. The funds shall be redeposited into the Clinton County account. Approval of this request brings the project total to \$38,969.72.

**A2003-0258, Calloway County Conservation District**, was approved for \$46,500 on June 21, 2002. The recipient requests a decrease of \$5,000 from the Agricultural Diversification Program. \$3,010.65 of these funds shall be reallocated to the Handling Facilities Program [A2003-0663] and \$1,989.35 of these funds shall revert back to the Calloway County account. Approval of this request brings the project total to \$41,500.

**A2003-0506, Green River Area Beef Improvement Group, Inc. (Daviess)**, was approved for \$10,000 on September 19, 2003. The recipient requests a decrease of \$10,000 for the Forage Improvement Program. These funds shall be reallocated to the Genetics Improvement Program [A2003-0507]. Approval of this request brings the project to \$0.00.

**A2003-0508, Green River Area Beef Improvement Group, Inc. (Daviess)**, was approved for \$30,000 on September 19, 2003. The recipient requests a decrease of \$10,000 for the Handling Facilities Program. These funds are to be reallocated to the Genetics Improvement Program [A2003-0507]. Approval of this request brings the project total to \$20,000.

**A2003-0507, Green River Area Beef Improvement Group, Inc. (Daviess)**, was approved for \$20,000 on September 19, 2003. The recipient requests an increase of \$20,000 for the Genetics Improvement Program. These funds shall be reallocated from the Forage Improvement Program [A2003-0506] and the Handling Facilities Program [A2003-0508]. Approval of this request brings the project total to \$40,000.

**A2001-0621, SOYX, LLC (Lewis)**, was approved for \$112,000 on September 21, 2001. The recipient requests a decrease of \$22,437.45 for their project. These funds shall revert back to the Lewis County account. Approval of this request brings the project total to \$89,562.55.

**A2001-0203, SOYX, LLC (Fleming)**, was approved for \$227,385 on September 19, 2001. The recipient requests a decrease of \$45,545.87 for their project. These funds shall revert back to the Fleming County account. Approval of this request brings the project total to \$181,839.13.

Mr. Bratcher pointed out that SOYX and Christian County Grain came in under budget. Mr. Moore moved that the requested amendments be approved; Mr. Sellers seconded the motion. The motion passed without dissent.

The **Breckinridge County Conservation District, A2003-0392**, requested that their previously approved application for *On-farm Water Enhancement* be amended to include permanent waterers, underground piping, and fencing for water sources, as eligible cost-share items.

Mr. Rogers noted that they have already received funds and these items were in their application, but not their agreement. They would like to start taking applications soon. Mr. Rogers also pointed out that the requested items are in the suggested revisions to the model programs that the Board will be reviewing.

Mr. Case clarified that plank fencing will not be eligible.

Mr. Slaughter moved that this amendment be allowed and Breckinridge County's On-farm Water Enhancement Program become a pilot project; Mr. Stewart seconded the motion. The motion passed without dissent.

## Committee Reports

### Blue Project Review Committee

Blue Committee had nothing to report.

### Red Project Review Committee

Sam Lawson reported for the Red Project Review Committee (PRC). Mr. Lawson noted that the Red PRC is presenting five (5) projects for funding consideration.

Mr. Lawson presented **A2003-0351, Daviess County Conservation District**. The application received a high priority from Daviess County. The applicant requests \$100,000 of Daviess County Agricultural Development Funds to implement an On-Farm Drainage Enhancement Program. The objective of this proposal is to improve crop yields to poorly drained soils by installing subsurface drainage systems. Mr. Lawson moved that A2003-0351 be approved for \$100,000 in Daviess County funds; Mr. Moore seconded the motion. The motion passed without dissent.

Mr. Lawson presented **A2003-0456, Mammoth Cave Resource Conservation and Development Area, Inc.** The application received a high priority from Logan County. The applicant requests \$20,000 of Logan County Agricultural Development Funds to provide a cost-share program for dark tobacco for the purchase of shade cloths, irrigation systems, pH meters and other improvements that will help the grower improve leaf quality translating into greater returns. Mr. Lawson moved that



A2003-0456 be approved for \$20,000 of Logan County Agricultural Development Funds for only the shade cloth portion of the proposal; Mr. Hunt seconded the motion.

Ms. Brown shared her concerns with the project.

Mr. Lawson yielded the floor to Ruthie Steff-Pike to explain other uses of shade cloth. Ms. Steff-Pike noted the other crops (vegetables, flowers, and nursery stock) that are using it and will be eligible to use it through this program.

The Chairman called the question. The motion passed with dissent. [1 Nay – V. Brown]

Mr. Lawson presented **A2003-0550, S.S. Enterprises of Warren County Inc.** The application received a high priority from Warren County for \$5,000 of a \$25,000 request. The applicant requests \$100,000 of Agricultural Development Funds (\$75,000 state and \$25,000 Warren County) to construct a small scale poultry processing plant that will custom process chickens, turkeys, squab, and other fowl under USDA inspection for Kentucky's small scale and independent poultry producers. Presently, small-scale poultry producers that are pursuing direct-to-consumer markets have limited access to USDA inspected processing facilities, which is necessary to sell direct.

Mr. Lawson moved that A2003-0550 be approved for \$84,911 in state and \$5,000 in Warren County Agricultural Development Funds; Mr. Clay seconded the motion. The motion passed without dissent.

Mr. Lawson presented **A2003-0607, Kentucky Shiitake Mushroom Growers Association.** The application received a high priority from Jefferson County. The applicant requests \$23,325 in KCADE and \$1,000 in Jefferson County Agricultural Development Funds to assess the business feasibility and economic value to the Kentucky Shiitake Mushroom Growers Association of developing a facility or organizational component of the organization to manage and market Kentucky log-grown, organic shiitake mushrooms to retailers and other developing outlets. The study would be completed by CoBank Business Advisory Services (BAS).

Mr. Lawson read the proposed terms and conditions for the project. Mr. Lawson moved that A2003-0607 be approved for \$23,325 in KCADE and \$1,000 in Jefferson County Agricultural Development Funds; Mr. Moore seconded the motion.

The Chair opened the floor for discussion.

Ms. Brown asked for clarification of the scope of work: multiple mushroom varieties versus only shiitake.

Mr. Bratcher verified that the project is only for shiitake mushrooms, but with alternate methods of production being explored.

Mr. Bratcher noted that staff would look into the possibility of exploring multiple mushroom varieties in this study.

The Chair called the question. The motion passed without dissent.

Mr. Case asked for clarification about a prior project [A2003-0550]. Mr. Bratcher clarified that \$5,000 was approved from Warren County funds, because that was how much of the requested amount the county committed.

Mr. Lawson presented **A2003-0608, PIC USA, Inc.** The applicant requests \$800,000 in Agricultural Development Funds to construct a state-of-the-art swine breeding facility in Allen County. The facility is for the production of genetically superior boars for sale to PIC customers for artificial insemination and natural service breeding purposes. The facility would house a 1,200 dedicated sow herd that meet specific genetic criteria for the purpose of implementing a customized genetic improvement program to produce a customized sire line of boars. The boars will be selected against a customized estimated breeding value index utilizing commercial values individually tailored to meet PIC's customer needs.

Mr. Lawson reviewed the proposed terms and conditions for the project. Mr. Lawson moved that A2003-0608 be approved for an \$800,000 forgivable loan; Mr. Hunt seconded the motion.

The Chair opened the floor for discussion.

Ms. Brown asked why this was not put into a model program similar to cattle.

Mr. Bratcher compared this project to the Beef Network with regards to helping the whole industry along, rather than individual producers only.

Ms. Brown noted that the Cattlemen's Association is a producer organization, rather than a company; she pointed out that if the Pork Producers Association was coming in to do this, then she would feel better about it.

Mr. Bratcher pointed out that the last Beef Network grant ultimately goes to help for profit companies (stockyards) to come up-to-date with technology.

Ms. Brown clarified that the company will have to come back and quantify their forgiveness and that there would be statewide impact.

Ms. Brown commented on getting the KY Pork Producers involved. Mr. Lawson pointed out that Mike Oveson with the KY Pork Producers Association was present in support of the project.

The Chair called the question. The motion passed with dissent [Nay – E. Sellers].

## Recommendations for No-Funding<sup>4</sup>

Mr. Rogers presented project A2003-0272 as a project recommended for no-funding by the project review committees. Mr. Lawson moved that no funding be awarded to same; Mr. Case seconded the motion. The motion passed without dissent.

## New Business

Commissioner Farmer moved that the Board adjourn into closed session pursuant to KRS 61.810(c) to discuss "proposed litigation." Susan Harkins seconded the motion. The motion passed without dissent.

The Secretary stopped the recording equipment and stopped taking minutes. Guests were asked to leave the room

### *[Closed Session]*

The Board came out of closed session.

Mr. Rogers yielded the floor to Joe Cecil, Chief Executive Officer, who presented the proposal for West Kentucky Growers Cooperative (WKGC).

Mr. Cecil noted that the WKGC's proposal had been distributed to the Board. Mr. Cecil highlighted changes to the business to try to make it self-sufficient. Mr. Cecil noted that 2003 was the Co-op's most successful year. Mr. Cecil noted that one of the members of their Board of Directors was present.

Mr. Cecil apologized on behalf of Larry Snell, KY Center for Cooperative Development, for not being here today. He was at an out-of-state meeting. Mr. Cecil noted the most important change has been with the development of the KY Produce & Aquaculture Alliance in getting all of the cooperatives to work together.

Mr. Cecil drew the Board's attention to the WKGC proposal and asked that the Board revisit the conditions of WKGC's loan agreements.

Mr. Hunt asked if their 2003 audit was currently under way. Mr. Cecil indicated that the financial audit had not been started.

Mr. Lawson asked for what the accounts receivable they have listed for December 2003 were. Waylon Raming, WKGC Chief Financial Officer, indicated that the accounts receivable were for produce delivered. Mr. Cecil pointed out that it is not uncommon to have payment for producer 60, 90, or 120 days out.

Mr. Lawson asked how many members WKGC had with equity positions. Mr. Raming indicated that \$150,000 of preferred stock had been sold at \$2,000 per

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<sup>4</sup> Detailed list of projects for a no-funding recommendation listed in Appendix C.

share; about 30 members purchased a common share; and all members sign a grower contract with one voting share at \$100 each. Mr. Raming indicated that totaled 65. Mr. Lawson clarified that member equity in the cooperative was a little over \$200,000. Mr. Lawson also asked if this money was still in the cooperative or if it had been repaid. WKGC indicated that the money is still in the cooperative.

Mr. Bratcher asked if WKGC had brought the December 31, 2003 income statement.

While they looked for the item, Mr. Rogers asked Alan Taylor to introduce himself. Mr. Taylor is a member of the WKGC Board of Directors from Henderson County. Mr. Taylor also introduced Waylon Raming as the Controller and Chief Financial Officer for the Cooperative.

Mr. Cased asked how many Board members the cooperative had. Mr. Taylor indicated that there were nine members of the WKGC Board of Directors.

Ms. Brown asked who is the person who would be accountable to the Agricultural Development Board. Mr. Taylor noted that Mr. Cecil is the Chief Executive Officer who reports directly to the WKGC Board of Directors.

Ms. Brown clarified that both Mr. Raming and Mr. Cecil are full-time staff of the Cooperative. Ms. Brown also asked if Mr. Raming's background was in accounting. Mr. Raming indicated that his degree was in Agricultural Economics.

Ms. Brown asked about getting the audit process started so that the ADB could get a better feel for where the cooperative stands financially. Mr. Raming noted that the Cooperative has an arrangement with their auditor to start after April 15. Doing so reduces the cooperative's cost for an audit to \$7,000 – before April 15 the cost is \$14,000.

Mr. Lawson clarified the ending numbers for each year.

Mr. Lawson asked about the reference under the "Concentration of Credit Risk" in the 2002 audit to the Cooperative routinely granting open lines of credit to officers, directors, members and employees of the cooperative. Mr. Cecil indicated that no credit had been extended to directors or employee, but thought that the statement could be referring to those members who are allowed to pay [inaudible] at the end of the season, rather than taking advantage of discounts by paying upfront.

Ms. Brown asked Mr. Raming to explain from the 12/31/03 balance sheet what "retained earnings" and "net income" are. Mr. Raming responded.

Mr. Bratcher asked for clarification about what was being listed as a grant, \$350,000. Mr. Bratcher pointed out that the grant was actually for \$370,000, but the State Revenue had intercepted some.

Mr. Lawson asked if the WKGC could handle \$3.3 million worth of debt when its best year out of three is a break even.

Mr. Cecil pointed out that though the best year is a break even there is a positive trend in the cooperative with the numbers going up each year.

Mr. Lawson asked if they had considered selling the bare ground that they own. Mr. Cecil indicated that it was not necessarily bare ground, as members have crops growing on it every year. Mr. Lawson asked if the Cooperative could afford to keep the land. Mr. Cecil noted that this [land] is a vital part of the operation because it provides an opportunity that a lot of members may not have otherwise.

Mr. Lawson asked if it is paying for itself. Mr. Cecil indicated that it is the good part of the investment. Mr. Cecil noted that they rent it for \$135 per acre to any of the members who want to grow produce there.

Mr. Lawson asked if there was a separate sheet to show what the ground is costing the Cooperative versus what the ground is bringing into the Cooperative. Mr. Raming indicated that they are paying out \$20,000 and bringing in \$11,000.

Mr. Sellers asked for clarification that the land is a cash drain on the Cooperative. Mr. Cecil confirmed. Mr. Rogers pointed out that Mr. Cecil had stated earlier that the land was a positive component of the Cooperative. Mr. Cecil clarified that it is programmatically positive, not necessarily financially positive. Mr. Cecil shared an example of the programmatic good of having the land.

Mr. Raming detailed the amount the land produced related to total production for the cooperative. If the ground were lost, then most of the Cooperative's squash production would be lost.

Ms. Brown asked that with the recent influx of account receivable could the interest payment be brought up-to-date. Ms. Brown also indicated that she hoped that this would be the first of many meetings working more closely together. Ms. Brown also pointed out that they do have contractual obligations to this Board and [the Board] takes them very seriously. Ms. Brown noted that she hopes that since the Cooperative does have full-time staff and [the Board] is the main lender to this institution that time will be made to meet with the Board and its staff. [Inaudible] said that they could.

Ms. Brown clarified that the approximately \$79,000 in interest could be brought up-to-date, and then sit down and work this out.

Dean Smith asked if they could really cash flow this before the season starts, pointing out the total current assets and liabilities. Dean Smith asked how they would make until sweet corn is sold without borrowing more money. Mr. Cecil indicated that they could not make it without borrowing more money.

Mr. Bratcher asked for clarification of differences between balance sheet from December 2003 to what distributed today.

Ms. Brown asked about the relationship between WKGC and the Center for Cooperative Development. Mr. Taylor indicated that Larry Snell attends all of the Board of Director meetings and meets with Cooperative Staff regularly.

Dean Smith asked if the Agricultural Development Board holds a seat on this Board. Mr. Bratcher indicated that the Board does and had designated a member of its staff to attend; however, notice of those meetings was not being communicated to staff. Mr. Bratcher indicated that this has been rectified.

Mr. Hunt pointed out that a solution to the problem needs to be found. He pointed out importance of communication, especially if a payment cannot be made. Mr. Hunt also noted that the extra \$7,000 for the auditor might be money well spent. Mr. Hunt asked how the Cooperative is going to sustain itself. He also pointed out that the Cooperative's Board of Directors needs to know WKGC's position monthly. Mr. Hunt shared his business philosophy that the money to operate the coop needs to be taken off of the top before anything is distributed to the producers.

Mr. Cecil indicated that doing what Mr. Hunt suggested in essence kills what the cooperative is about and they would have no more members.

Mr. Cecil commented about the meeting in March 2002. Mr. Cecil shared comments from the meeting and from people who are no longer on staff, regarding the loan to WKGC.

Dean Smith inquired as to how much they would need to borrow to cash flow through the crop season. Mr. Cecil indicated that they would only need to borrow if they had to make the interest payment. Dean Smith clarified that they could operate on what they have if they do not make the interest payment. Mr. Cecil responded that they would still need operating capital. Dean Smith asked how much operating capital they would have to borrow. There was no response from WKGC.

Mr. Lawson asked if there was an operating budget for 2004. Mr. Cecil indicated that they budget committee was meeting to work on this.

Mr. Case asked if they had implemented any procedures to make the "Accounts Receivable" process go quicker. Mr. Cecil assured that WKGC "Accounts Receivable" are as quick or quicker than any in the vegetable business.

Dean Smith moved that the Board adjourn into closed session pursuant to KRS 61.810(c) to discuss "proposed litigation." Danny Case seconded the motion. The motion passed without dissent.

***[Closed Session]***

The meeting reconvened.

Dean Smith moved the following: 1) a certified audit for WKGC be completed in 60 days; 2) the WKGC's April 2003 payment, including interest and penalties, of \$47,769 be remitted in 10-days to the Agricultural Development Board; 3) WKGC's 2004 operating budget approved by the WKGC Board of Directors be submitted to the Agricultural Development Board; and 4) the Agricultural Development Board does not accept the proposal from WKGC; Sam Lawson seconded the motion. The motion passed without dissent.

## **Closing Remarks**

Mr. Moore shared with the Board that Marshall Coyle had a stroke in Hawaii while attending the American Farm Bureau Convention. Everyone was asked to keep his family and him in their thoughts and prayers.

The next meeting of the Kentucky Agricultural Development Board will convene at 1:00 p.m. on Friday, February 20, 2004 at Kentucky History Center's Brown-Forman Room, Frankfort. Note time and location of meeting subject to change; ample notification will be given if such a change occurs.

The meeting adjourned at 5:10 p.m.

**APPROVED:** \_\_\_\_\_

**PRESIDING OFFICER:** \_\_\_\_\_

**SECRETARY:** \_\_\_\_\_

**APPENIDX A: New Applications for Referral**

<i><b>Appl #</b></i>	<i><b>Project Name</b></i>	<i><b>Project Type</b></i>
A2003-0663	Calloway County Conservation District	Handling Facilities Cost Share
A2003-0664	Cumberland County Conservation District	Forage Improvement
A2003-0665	Clinton/Cumberland Cattlemen's Association	Genetics Improvement
A2003-0666	Bracken County Ag Advancement Council	Fencing Improvement
A2003-0667	Elliott County Fiscal Court	Agricultural Diversification
A2003-0668	Bracken County Ag. Advancement Council	Hay, Straw and Commodity Storage
A2003-0669	Clinton/Cumberland Cattleman's Association	Genetics Improvement
A2003-0670	SKAD Pulaski County Horticulture Association	Project
A2003-0671	SKAD/Pulaski County Horticulture Association	Project
A2003-0672	Grayson County Conservation District	Project
A2003-0673	Task, Inc	Project
A2003-0674	Burbon County Fiscal Court	Genetics Improvement
A2003-0675	Bourbon County Fiscal Court	Hay, Straw and Commodity Storage
A2003-0676	Bourbon County Fiscal Court	Agricultural Diversification
A2003-0677	Bourbon County Fiscal Court	Handling Facilities Cost Share
A2003-0678	DUPLICATE	Genetics Improvement
A2003-0679	Grayson County Cattlemen's Association	Genetics Improvement
A2004-0001	Boone County Farmers Market Association	Agricultural Diversification
A2004-0002	Whitley County Forage	Forage Improvement
A2004-0003	Kentucky Ketch, Inc.	Hay, Straw and Commodity Storage
A2004-0004	Maintain Our Rural Enviornment, Inc	Project



## APPENIDIX B: *Model Program Lists*

### *Agricultural Diversification*

<b>App #</b>	<b>Fiscal Agent</b>	<b>County</b>	<b>Funds Approved</b>
A2003-0650	Adair County Cattlemen's Association	Adair	\$50,000.00
A2003-0676	Bourbon County Fiscal Court	Bourbon	\$42,000.00
A2003-0667	Elliott County Fiscal Court	Elliott	\$37,500.00
A2003-0641	LaRue County Dairy Association, Inc.	LaRue	\$18,000.00
<b>Sub Total</b>			<b>\$147,500.00</b>

### *Fencing Improvement*

<b>App #</b>	<b>Fiscal Agent</b>	<b>County</b>	<b>Funds Approved</b>
A2003-0649	Adair County Cattlemen's Association	Adair	\$50,000.00
A2003-0666	Bracken County Ag Advancement Council	Bracken	\$78,750.00
A2003-0651	Powell County Livestock Producers Association	Powell	\$25,100.00
A2003-0644	Trigg County Cattlemen's Association	Trigg	\$50,000.00
<b>Sub Total</b>			<b>\$203,850.00</b>

### *Forage Improvement*

<b>App #</b>	<b>Fiscal Agent</b>	<b>County</b>	<b>Funds Approved</b>
A2003-0664	Cumberland County Conservation District	Cumberland	\$40,000.00
A2003-0632	The Louisville Agricultural Club, Inc.	Jefferson	\$15,000.00
<b>Sub Total</b>			<b>\$55,000.00</b>

### *Genetics Improvement*

<b>App #</b>	<b>Fiscal Agent</b>	<b>County</b>	<b>Funds Approved</b>
A2003-0674	Bourbon County Fiscal Court	Bourbon	\$26,500.00
A2003-0669	Clinton/Cumberland Cattleman's Association	Clinton	\$40,000.00
A2003-0665	Clinton/Cumberland Cattleman's Association	Cumberland	\$11,900.00
A2003-0630	The Louisville Agricultural Club, Inc.	Jefferson	\$500.00
<b>Sub Total</b>			<b>\$78,900.00</b>

## **APPENDIX B: *Model Program Lists***

### ***Goat Diversification***

<b><i>App #</i></b>	<b><i>Fiscal Agent</i></b>	<b><i>County</i></b>	<b><i>Funds Approved</i></b>
A2003-0655	Kentucky Ketch, Inc.	Clay	\$16,500.00
A2003-0646	Bluegrass Boar Goat Association, Inc.	Fayette	\$25,000.00
<b>Sub Total</b>			<b>\$41,500.00</b>

### ***Handling Facilities Cost Share***

<b><i>App #</i></b>	<b><i>Fiscal Agent</i></b>	<b><i>County</i></b>	<b><i>Funds Approved</i></b>
A2003-0677	Bourbon County Fiscal Court	Bourbon	\$126,000.00
A2003-0663	Calloway County Conservation District	Calloway	\$3,010.65
A2003-0631	The Louisville Agricultural Club, Inc.	Jefferson	\$5,000.00
A2003-0660	Johnson County Conservation District	Johnson	\$8,000.00
A2003-0661	Magoffin County Cattle Association Inc.	Magoffin	\$15,000.00
<b>Sub Total</b>			<b>\$157,010.65</b>

### ***Hay, Straw, and Commodity Storage***

<b><i>App #</i></b>	<b><i>Fiscal Agent</i></b>	<b><i>County</i></b>	<b><i>Funds Approved</i></b>
A2003-0647	Adair County Cattlemen's Association	Adair	\$100,000.00
A2003-0675	Bourbon County Fiscal Court	Bourbon	\$105,000.00
A2003-0668	Bracken County Ag Advancement Council	Bracken	\$52,500.00
A2003-0633	The Louisville Agricultural Club, Inc.	Jefferson	\$15,000.00
A2003-0628	Larue County Farm Bureau	Larue	\$50,477.00
A2003-0662	South-eastern Kentucky Agricultural Development Association, Inc.	Pulaski	\$100,000.00
<b>Sub Total</b>			<b>\$422,977.00</b>

### ***On-Farm Water Enhancement***

<b><i>App #</i></b>	<b><i>Fiscal Agent</i></b>	<b><i>County</i></b>	<b><i>Funds Approved</i></b>
A2003-0648	Adair County Cattlemen's Association	Adair	\$50,000.00
<b>Sub Total</b>			<b>\$50,000.00</b>

## **APPENIDIX C: *Recommendations for No Funding***

<b><i>App #</i></b>	<b><i>Applicant</i></b>	<b><i>County</i></b>
A2003-0272	Green River Produce Marketing Cooperative	Metcalfe